

PART III – LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACHMENTS  
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**ATTACHMENT L – PRELIMINARY PERFORMANCE EVALUATION AND MEASUREMENT PLAN**

**Table J.L.1 Available Fee Allocation – FY 2000**

\* Potential exists for this amount to be up to \$18,000,000 depending on the number of performance based incentives implemented (See Section H Clause Entitled PERFORMANCE BASED INCENTIVES – INCENTIVES AND GOALS).

\*\* Potential earnings under the Technology Commercialization Incentive are not part of the available fee pool.

Line No.	Description	First Six Months FY 2000	Second Six Months FY 2000	Total FY 2000
<b>Available Fee Calculations:</b>				
A	Maximum Negotiated Total Available Fee	\$ 10,000,000	TBD*	TBD
B	Less: Fee Discount Reduction	<u>500,000</u>	<u>TBD</u>	<u>TBD</u>
C	Total Available Fee	<u>\$ 9,500,000</u>	<u>TBD</u>	<u>TBD</u>
<b>Performance Based Incentives:</b>				
1	ATR Cost Efficiency	\$ 250,000	\$ 250,000	\$ 500,000
2	ATR Operating Efficiency	790,000	790,000	1,580,000
3	ATR Unplanned Outages	200,000	200,000	400,000
4	ATR Utilization	450,000	450,000	900,000
5	ATR Work Control in Rad. Areas	125,000	125,000	250,000
6	INTEC Liquid Waste Minimization	500,000	500,000	1,000,000
7	Technology Commercialization Incentive**	0	0	0
8	SMC Production Incentive	1,100,000	1,100,000	2,200,000
D	<b>Total Performance Based Incentives</b>	<u>\$ 3,415,000</u>	<u>\$ 3,415,000</u>	<u>\$ 6,830,000</u>
E	<b>Award Fee Pool</b>	<u>\$ 6,085,000</u>	<u>TBD</u>	<u>TBD</u>
C	<b>Total Available Fee</b>	<u>\$ 9,500,000</u>	<u>TBD</u>	<u>TBD</u>

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**Explanation of Lines in Table J.L.1:**

- A - Maximum Negotiated Total Available Fee under DOE Fee Policy at DEAR 970.15404-4 at time of contract award.
- B - Less Fee Discount Reduction from Fee Discount Factor. TBD will be determined after submittal of offers.
- C - Total Available Fee – TBD after reduction (if any) of offered fee discount. Potential exists for the FY 2000 Apr-Sep amount to be up to \$18,000,000 depending on the number and value to the Government of performance based incentives implemented (See Section H Clause Entitled PERFORMANCE BASED INCENTIVES – INCENTIVES AND GOALS).
- D - This is an itemized total of all executed performance based incentives for FY 2000.
- E - Award Fee Pool which represents the total available fee less amounts allocated for performance based incentive fees.

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**FY 2000 AWARD FEE PERFORMANCE EXPECTATIONS**

**OPERATIONS EXCELLENCE AND PROGRAM MANAGEMENT**

Execute assigned missions and deliver quality products on time, at a reasonable cost, while protecting human health and the environment. Effectively execute FY00 Annual Work Plan activities, program plans, associated technical baselines, and construction project baselines with major emphasis on integration of all program/operational elements, and management of resources and related costs needed to achieve program missions rather than managing to budgeted values of the work scope. Use technology development to accomplish cleanup schedules and reduce costs. Reinvestment of savings utilized to perform additional work scope must be evidenced through approved change control processes. Effectively identify and utilize available funding for both new authorizations and prior year uncosted balances.

**Emphasis on:**

- Perform all work in accordance with established baselines, plans, and schedules while meeting all enforceable milestones.
- Manage mandatory programs for environmental compliance.
- **Transuranic, Low-Level and Mixed Low-Level Waste**
  - Establish and maintain a safe, effective, and efficient transuranic waste certification program/process, which meets the requirements of the Waste Isolation Pilot Plant Waste Acceptance Criteria/ Quality Program Plan (WIPP WAC/QPP) and/or the State of New Mexico's Resource Conservation and Recovery Act (RCRA) Part B Permit. Maintain the Settlement Agreement 3100 cubic meters milestone by shipping enough transuranic waste to WIPP for disposal.
  - Continue low-level waste volume reduction activities and contact handled and remote handled low-level disposal.
  - Provide cost effective and environmentally compliant disposition and/or treatment of INEEL and off-site mixed low level waste (MLLW). Continue MLLW incineration, stabilization, macroencapsulation and sizing.
  - Provide timely support to the Advanced Mixed Waste Project as defined in the AMWTP Memorandum of Agreement.
- **High-Level Waste**
  - Operate HLW facilities to meet Settlement Agreement and Consent Order commitments and continue working to meet out-year Site Treatment Plan (STP) milestones to reduce the backlog of debris awaiting treatment.
  - Safely store and pretreat high-level waste and other waste stored or managed by the INTEC high-level waste program.
  - Implement the path forward selected in the INEEL High-level Waste and Facility Disposition EIS.

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- Develop and submit closure plans for the emptied tanks in the tank farm.
- Implement the INTEC Waste Minimization Plan and accelerate efforts to properly segregate liquid waste streams at INTEC.
- **Spent Nuclear Fuels:**
  - Meet all expectations and requirements for Nuclear Regulatory Commission (NRC) licensed facilities and NRC licensing activities contained in the DOE SNF/HLW directive letter and in individual licensing bases.
  - Continue National Spent Fuel Program activities
  - Continue fuel receipts and fuel movements as documented in current DOE planning documents, such as the Idaho Settlement Agreement and Court ordered milestones.
- **Infrastructure Program:**
  - Ensure all work is accomplished in a safe, compliant and cost effective manner.
  - Ensure all work is baselined and managed using the Life-Cycle Plans and annual work packages which have sound and defensible basis of estimates.
  - Plan and recommend prioritization of work (near, long term and life-cycle) such that the program objectives are achieved in the most cost effective manner based on assumptions which are most likely to occur.
  - Ensure the Infrastructure Program is managed in a manner that anticipates problems, explores all reasonable options for resolution, and makes recommendations that are sound and in the best interest of the government and taxpayers.
  - Ensure the Infrastructure Program is adequately supporting the needs of other missions and provides the core functions required by multiple and varied programs.
  - Ensure the integrity of all required support facilities, structures, systems, and equipment necessary to achieve commitments on or ahead of schedule.
  - Meet the Voluntary Consent Order requirements.
- **Environmental Restoration**
  - Continue the CERCLA regulated program and meet or move through consensus with the State of Idaho, Environmental Protection Agency (EPA), Region 10 and Department of Energy all milestones established through the Tri-party Federal Facilities Act and Consent Order between the State of Idaho, the EPA and the Department of Energy.
  - Develop a strategy for site-wide environmental monitoring through 2035.
  - Develop the INEEL Stewardship Plan to meet the EPA and DOE requirements.
  - Manage the decontamination and decommissioning projects to most effectively use available funds to reduce the risk posed by abandoned buildings.

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**GENERAL MANAGEMENT AND ADMINISTRATION**

Embrace the best management practices to improve processes and customer satisfaction, and minimize waste. Strengthen management systems to be integrated, results-oriented, and cost-effective while ensuring they are fully protective of human health and environment. Maintain effective collaborations with other national laboratories. Continue to focus on community, employee, and stakeholder relations and emphasize vertical and horizontal communications.

**Emphasis on:**

- **Environment, Safety, Health, and Quality Assurance Management**
- **Financial and Budget Services**
  - ◆ Continue implementation of a cost conscious work ethic for contract-wide work performance resulting in decreased cost of operations. Assure adequate internal controls are in place to safeguard assets, allow reliance on financial and non-financial information, and mitigate waste, fraud and abuse. Establish effective indirect rate planning processes to assure program affordability and consistency between planning and execution year rates.
- **Information Management**
  - ◆ Provide a cost-effective Information Management program to support the Long-Range Plan, changes in program missions, technological advances, complex connectivity, and security and statutory requirements.
- **Human Resources**
  - ◆ Gain more acceptance and trust by employees of their Ethics/Employee Concerns Program by maintaining a high intensity and cost effective Employee Concerns Program. Intensify efforts to diversify by recruitment and inclusion of women and minorities in all segments of the program, planning, management and execution of all contractor work processes.
- **Communications**
- **Safeguards and Security**

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**AWARD FEE PERFORMANCE RATING AND FEE EARNING METHODOLOGY**

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OUTSTANDING	95 % TO 100%
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Performance exceeds expected levels of performance in all areas with only minor weaknesses or negative comments and without any deficiencies. Innovative approaches have been identified and are being implemented successfully. Management has addressed problems and issues proactively both with employees and customers as is appropriate for a multi-programmatic laboratory.

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EXCEEDS	56% TO 94%
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Performance consistently meets levels of performance and in most areas exceeds expected levels of performance. Identified weaknesses do not indicate a trend to serious, systemic problems and can be addressed in the near term without impacting operational or programmatic goals. There are no noteworthy deficiencies, operational excellence continues to be the foundation of all work activities and development of the laboratory missions continues.

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SATISFACTORY	16% TO 55%
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Performance meets expected levels of performance in the majority of areas. Identified weaknesses may indicate a trend to serious systemic problems but there has been no operational situation resulting in serious injury or fatality. Milestones are being met for the most part but there is concern for future milestones. Identified deficiencies are few and can be rectified early with appropriate management attention with minimal impact to operations and programmatic goals.

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MARGINAL	1% TO 15%
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Performance is not meeting expected levels of performance in multiple areas or serious weaknesses have been identified in critical areas. Deficiencies have been identified and recovery from weaknesses and/or deficiencies could impact programs and operations. Trending is indicating serious problems in achieving operational excellence.

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UNSATISFACTORY	- 0 -
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Performance has failed to meet expected levels of performance in critical areas with serious ramification to Departmental commitments. Deficiencies and weaknesses are numerous indicating failure of management systems. Serious safety and/or environmental violations have resulted in major impacts. Recovery will be lengthy, difficult and costly.

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DEFICIENCY – Any part of the contractor’s performance that fails to satisfy a Government requirement

WEAKNESS – A feature of contractor performance that will cause or contribute to less than optimal performance

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**PERFORMANCE INCENTIVE 1 - ATR COST EFFICIENCY**

Incentive Type:

Objective (Performance Based Incentive)

Incentive Objective:

Safely and effectively operate the ATR at the least possible cost, while maximizing work scope within available funds.

Performance Measure:

A balance between operating costs and operating efficiency is the goal. Lower operating costs make the ATR more attractive to new users and lessen the burden on current test sponsors.

Proposed Fee:

The initial scope of work and cost for FY 2000 will be established by the Contracting Officer based on Change Control Board (CCB) action. In the event the CCB fails to establish the initial work scope and cost, the Government may unilaterally establish the baseline.

If the established work scope is accomplished at the budget amount, as measured by prime costs, the Contractor will receive a cost incentive target fee of \$100,000.

If the same identified work scope is accomplished for less (as measured by prime costs) than the Target Prime Cost, the Contractor will receive the target fee of \$100,000 plus an additional incentive fee of 20 cents for every dollar of prime cost savings. The value of identified work scope not performed due to budget limitations will be considered a cost overrun.

The Contractor will share in all overruns in the same manner. Any new work scope funded by cost savings generated under this incentive must be approved, in advance, by DOE. Incentives will not apply to new work scope funded by cost savings.

"Prime Costs," as used in this incentive, means actual costs excluding allocation of indirect costs. They represent the value of labor and non-labor costs as first recorded in the accounting system such as the actual employee salary value, actual invoice cost from a vendor for material or subcontracted services, actual airfare costs paid to an airline etc. Prime costs of an activity or program exclude the allocated indirect costs charged to that activity or program.

Target Prime Cost:	Determined by Change Control Board action
Minimum Fee:	\$ (300,000) each fiscal year
Target Fee:	\$ 100,000 each fiscal year
Maximum Fee:	\$ 500,000 each fiscal year
Government/Contractor Cost Share Ratio-Underruns:	80/20
Government/Contractor Cost Share Ratio-Overruns:	80/20

No mid-fiscal year interim payments will be made under this incentive.

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**PERFORMANCE INCENTIVE 2 - ATR OPERATING EFFICIENCY**

Incentive Type:

Objective [Performance Based Incentive (PBI)]

Incentive Objective:

To operate the ATR in a safe, reliable, and cost-effective manner and to provide an incentive for the Contractor to maximize the operating efficiency of the ATR.

Performance Measure:

ATR Operating Efficiency is defined as the ratio of actual hours at full power plus scheduled outage hours to the maximum number of hours in the reporting period (beginning October 1, each fiscal year). Operating Efficiency is affected by outage schedule performance and unplanned outages.

Note: "Actual hours at full power" is defined as the number of hours the ATR is operating at full power as specified in the "ATR Test Plan" for each operating cycle. "Scheduled outage hours" is defined as the hours the ATR is in an outage mode as scheduled in the approved "ATR Test Plan," or as requested by the test sponsor. The "ATR Test Plan" is a living document and represents the test sponsor's agreed upon schedule with the Contractor. Operating Efficiency losses that are beyond the control of the Contractor (e.g. site commercial power outages, acts of nature, test sponsor requests) are excluded.

Safety Emphasis:

Pursuant to the Section I clause entitled CONDITIONAL PAYMENT OF FEE, PROFIT, OR INCENTIVES, parts or all of earned ATR fee can be deducted for violations of ATR Safety Limits, ATR Limiting Conditions for Operations (LCO), and failures to perform surveillance requirements of the ATR Technical Safety Requirements (TSR). These terms are defined in the ATR Technical Safety Requirements.

<u>Proposed Fee:</u>	<u>Range</u>	<u>Fee (FY 2000)</u>
	below 91%	\$0
	91-97.5%	\$100,000 plus \$65,000 for each 1/2% over 91%
	98% +	\$1,010,000 plus \$95,000 for each 1/2% over 98%

Specific deductions from earned fee on ATR incentives will be as follows:

(\$300,000) for each ATR Safety Limit violation  
(\$100,000) for each Limiting Condition for Operations (LCO) violation  
(\$ 25,000) for each failure to perform a surveillance requirement of the ATR TSR

Minimum Fee: \$0

Maximum Fee: \$1,580,000 for FY 2000

No mid-fiscal year interim payments will be made under this incentive.

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**PERFORMANCE INCENTIVE 3 – ATR UNPLANNED OUTAGES**

Incentive Type:

Objective (Performance Based Incentive)

Incentive Objective:

To operate the ATR in a safe, reliable, and cost-effective manner and to minimize the number of Unplanned Outages at the ATR during the period FY 2000.

Performance Measure:

The number of Unplanned Outages during FY 2000. This indicator will also affect Operating Efficiency but provides additional emphasis to operate a safe, well-maintained plant. Unplanned Outages directly reflect how safely the reactor is being operated.

Note: An "Unplanned Outage" is defined as any outage not specified in the approved "ATR Test Plan." Unplanned Outages which are beyond the control of the Contractor (e.g. site commercial power outages, acts of nature, test sponsor requests) are excluded.

Proposed Fee:

<u>Number of Unplanned Outages</u>	<u>Incentive Fee Each Fiscal Year</u>
more than 4	\$ 0
4	\$ 80,000
3	\$ 160,000
2	\$ 240,000
1	\$ 320,000
0	\$ 400,000

A \$20,000 incentive will be paid for each outage resulting from conservative actions taken by operators/management to mitigate potential degradation of plant safety.

Minimum Fee: \$0

Maximum Fee: \$400,000 for FY 2000

No mid-fiscal year interim payments will be made under this incentive.

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**PERFORMANCE INCENTIVE 4 –ATR UTILIZATION**

Incentive Type:

Objective (Performance Based Incentive)

Incentive Objective:

Provide an incentive to the Contractor to aggressively pursue new users to occupy unused irradiation space in the ATR during FY 2000 and future years.

Performance Measure:

Revenues from irradiation charges indicate how much ATR space is being utilized by customers other than the Naval Reactors test sponsors. The methodology for calculating irradiation charges (e.g. flux trap charges, Irradiation Unit charges) are described in the " Pricing Policy for the Advanced Test Reactor Materials and Services."

New engineering sales are a precursor to irradiation charges. In most cases, engineering must occur before irradiation charges and revenues can be realized in the ATR. A typical lead-time of 18 months is necessary from the start of design to the first generation of irradiation charges. Maintaining new users to share operating costs over the long term is reflected in funded design work for future reactor irradiations. The success of the Contractor's marketing and sales program is first realized by engineering sales.

Proposed Fee:

(a) During FY 2000, the Contractor will receive the following incentive:

- 20 cents for every dollar of billable ATR irradiation charges (other than the prime test sponsors).

Fee will be based on gross revenues and is considered earned when production is billable. Adjustments may be necessary if billed irradiation charges are different from actual irradiation charges (i.e. if calculated charges are different from measured charges).

(b) During FY 2000, the Contractor will receive the following incentive:

- 15 cents for every dollar of actual costs associated with engineering design and project management for a new product or experiment (other than the prime test sponsors).

Fee will be based on new engineering dollars (non-prime test sponsors). Fee is considered earned when engineering dollars are costed.

Minimum Fee: \$0

Maximum Fee: (a) \$700,000 for FY 2000.

(b) \$200,000 for FY 2000.

No mid-fiscal year interim payments will be made under this incentive.

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**PERFORMANCE INCENTIVE 5 – ATR WORK CONTROL IN RADIOLOGICAL AREAS**

Incentive Type:

Objective (Performance Based Incentive)

Incentive Objective:

Improve radiological work planning and hazard control.

Performance Measure:

Successful implementation of the five core functions of Integrated Safety Management is an essential part of work activities in radiological areas. One measure of success is reduced personnel radiation exposure. The performance measure for this incentive is total personnel radiation exposure, as measured by total dose equivalent, for work on ATR activities.

Proposed Fee: Fee will be earned for total dose equivalent based on the following equation:

$$\$25,000(X-Y) + \$50,000, \text{ not to exceed } \$250,000 \text{ each fiscal year}$$

where "X"= the dose equivalent target value for all ATR activities, in person-rem, to be agreed upon by Contractor and DOE-ID management consistent with the accepted principles of ALARA prior to the start of FY 2000.

"Y"= measured total dose equivalent for all ATR activities for the fiscal year.

If X-Y is less than zero, no fee is earned.

Minimum Fee: \$0

Maximum Fee: \$250,000 for FY 2000

Significant changes in radiological work scope may cause the target value to be revised consistent with the accepted principles of ALARA. Changes to this value will be by mutual agreement between DOE and the Contractor.

No mid-fiscal year interim payments will be made under this incentive.

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**PERFORMANCE INCENTIVE 6 – INTEC LIQUID WASTE MINIMIZATION INCENTIVE PLAN**

Incentive Type:

Objective (Performance Based Incentive)

Incentive Objective:

The Idaho Nuclear Technology and Engineering Center (INTEC) Liquid Waste Minimization Incentive Plan was prepared in conjunction with the INTEC Waste Minimization Plan, PLN-225, Rev. 2, to promote and incentivize the reduction of the generation of liquid wastes, which are eventually discharged to the INTEC Tank Farm.

Selection Rationale:

The INTEC high level liquid waste system, including the tank farm, evaporators, New Waste Calcining Facility (NWCF), and related piping, is considered to be a radioactive mixed hazardous waste storage and treatment system. Compliance agreements with the State of Idaho require cease-use of the tank farm and completing the calcination of the liquid waste in the tank farm by 2012. In addition, 5 Pillar and Panel tanks must have closure plans submitted to the State of Idaho by 2003. Therefore, immediate reductions and eventual elimination of these liquid wastes entering the tank farm are absolutely necessary.

Acceptance Criteria:

The Idaho Chemical Processing Plant (INTEC) Waste Minimization Plan, PLN-225, Rev. 2, contains the baseline waste generation volume projections established for measuring progress toward completion of this incentive and will be the baseline document for this incentive plan. The volume baselines were developed (and validated by DOE-ID) based on historical tank transfer information and planned activities shown in existing schedules, including NWCF and High Level Liquid Waste (HLLW) evaporator operations. These total volumes are the sum of the individual tank farm-contributing waste streams following Process Equipment Waste (PEW) evaporation, but prior to HLLW evaporation.

Incentive Objective:

To reduce the amount of liquid waste being generated at the INTEC during FY 2000, which is then stored in the Tank Farm, by up to 47% in order to achieve the overall objective as stated in the INTEC Waste Minimization Plan, PLN-225, Rev. 2. Although this incentive is one year in duration (FY 2000), PLN-225 provides the baseline and goal waste generation projections for five years, starting in FY 1998.

Performance Measure:

Fee Earned\* = Percentage of Reduction Goal Achieved X \$1,000,000

\* subject to 10% reduction limitation in "Payment of Fee"

Percentage of Reduction Goal Achieved	=	100 X	$\frac{\text{FY2000 Baseline Waste Generation (Table 2)} - \text{FY2000 Actual Volume Achieved}}{\text{FY2000 Baseline Waste Generation (Table 2)} - \text{FY2000 Waste Generation Goal (Table 3)}}$
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Payment of Fee:

Maximum:	47% Reduction = 100.0% of goal	= \$1,000,000
Target:	35% Reduction = 74.5% of goal	= \$ 740,000
Minimum:	10% or less Reduction	\$ 0

Specific fee amounts for percentage reductions shall be determined by using straight-line interpolation between the minimum and the target, and between the target and the maximum.

This incentive is based on PLN-225, Rev. 2, which reflects the current operating schedule for the INTEC through FY 2002. The INTEC operating schedule is based upon the best information available to both parties at the time PLN-225 was approved. Deviations to the operating schedule will be addressed through the Baseline Change Proposal process and will require the approval of representatives of both the Contractor and DOE-ID.

Agreements and Understandings:

- 1) No interim (mid-fiscal year) payments will be made under this incentive. On an annual basis, the Contractor shall submit a final waste reduction report and fee statement in accordance with the contract. All waste volume reduction claims will be verified by DOE-ID prior to payment.
- 2) The INTEC Waste Minimization Plan, PLN-225 is a controlled document with any changes made to it requiring both Contractor and DOE-ID approvals.
- 3) The baseline volumes in the INTEC Waste Minimization Plan have been established by joint agreement of both the Contractor and DOE-ID based upon the expected INTEC operating schedule. The baseline volumes will only be adjusted for significant changes including NWCF operating schedule changes as agreed to between the Contractor and DOE-ID or outside agencies, changes in the number of filters processed through the filter leaching facility, and major decontamination efforts. Waste reduction and extended operational timeframes achieved through process control and optimal process operation shall not result in adjustments to the baseline.
- 4) The Tank Farm is defined as Tanks WM-180 through WM-190.
- 5) The waste volumes entering the Tank Farm will be measured using tank farm instrumentation and will be reported to DOE-ID on a quarterly basis.
- 6) This incentive is based upon the volume of liquid entering the Tank Farm after PEWE operation but not including the High Level Liquid Waste Evaporation (HLLWE) operation. This will also include direct additions to the Tank Farm but not internal transfers within the Tank Farm.
- 7) Costs for improvements to processes will be funded by the operating and capital accounts as appropriate and based upon the funding priorities established by both the Contractor and DOE-ID. The currently established baseline change process will be used to control these costs.
- 8) There is no penalty for accident or upset conditions where employee or facility safety is threatened and wastes must be generated to protect employees or property.

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- 9) The work must be accomplished within the established High-Level Waste Program funding. The cost constraint for this incentive will be based on the funding available for the incentivized portion of the program for FY 2000 established currently as follows:

<b>Fiscal Year</b>	<b>Integrated Priority List</b>	<b>Not Relevant to Incentive</b>	<b>Net Applicable to Incentive</b>
2000	\$66.3M	\$14.9M	\$51.4M

These amounts were arrived at by subtracting the DOE-ID program costs, the EIS costs, and the Long Range Program Planning and Technology cost from the total HLW program funding projections for each of these years. Should DOE direct changes that would impact the above calculated funding projections or approved workscope changes which effectively reduce the funding levels vary more than plus or minus 5% in a year, then renegotiations of the performance incentive measures and provisions will take place based upon the revised levels. All changes to approved funding and workscope shall be controlled through the Baseline Change Proposal process.

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**PERFORMANCE INCENTIVE 7 – TECHNOLOGY COMMERCIALIZATION INCENTIVE**

The Contractor compensation related to research and technology management shall be according to the following arrangement:

- (a) As to the combined gross income from royalties and licensing fees received in conjunction with licenses entered during the contract period of performance, the Contractor shall share according to the following schedule:
  - (1) Of the first \$3 million gross received by INEEL during the term of the contract, the Contractor shall receive a 20 percent share; and
  - (2) Of any amount greater than \$3 million gross received by INEEL during the life of the contract, the Contractor shall receive a 30 percent share.
  - (3) In addition to any amounts to which the Contractor is entitled under (1) and (2) above, the Contractor shall for each of the two years following contract termination be entitled to a share of royalty income received in those two years which derives from licenses executed by the Contractor during the term of the contract. The percentage of post-contract royalty income to which the Contractor shall be entitled shall be equal to the highest percentage achieved by the Contractor according to the schedule above during the term of the contract and may not increase as a result of royalties received after contract termination.
- (b) The Contractor may in some cases negotiate an equity share in a licensee in lieu of royalty. In any such case, the warrants representing such equity will be held by an independent third party (trustee) who will value the warrants and liquidate the equity interests in the best interests of the INEEL.
  - (1) Upon liquidation of any such equity, the Contractor shall be entitled to 20 percent of the proceeds of such liquidation, net of any commissions or other transaction expenses. Income from any such arrangements shall not be considered royalties or licensing fees for purposes of paragraph (a).
  - (2) At contract termination, the Contractor shall be entitled to retain a 20 percent interest in any unliquidated equity acquired during the term of the contract.
- (c) Royalties derived from licenses on technologies invented under Cooperative Research and Development Agreements (CRADAs) shall not be included within this provision until legislative changes authorizing such use of CRADA royalties are enacted.
- (d) In addition to compensation under the provisions of paragraphs (a) through (c) above, the Contractor shall be eligible to earn fee from Research and Development activities with the calculation of **the maximum total** available fee being made as described in the Section B Clause entitled TOTAL AVAILABLE FEE. It is noted that under those calculations, the following adjustments to the fee base for Research and Development are made as follows:
  - (1) For fiscal year 2000 a deduction of \$5 million is made;
  - (2) For fiscal year 2001 a deduction of \$20 million is made;
  - (3) For fiscal year 2002 a deduction of \$50 million is made;
  - (4) For fiscal year 2003 a deduction of \$75 million is made;

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- (5) For fiscal year 2004 a deduction of \$100 million is made; and
- (6) For each fiscal year after 2004 a deduction of \$100 million is made.
- (7) The adjustments specified in (1) through (6) above, are limited to an amount equal to 40% of the total R&D fee base for a given year.

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**PERFORMANCE INCENTIVE 8 - SMC PRODUCTION INCENTIVE**

Incentive Type:

Objective (Performance Based Incentive)

Incentive Objective:

Fully satisfy the annual armor production requirements at 100% final quality while operating the SMC Project at the least possible cost and maintaining a safe workplace.

Performance Measure:

Contractor performance will be measured based on meeting armor unit production requirements and associated total target prime costs established for the fiscal year.

Fiscal Year	Production Requirements	Total Target Prime Cost From Established Baseline In
FY 2000	121 Units	FY 1999

The above prime cost target establishment process and production requirements will be established and agreed to by all parties and are part of an overall plan to minimize armor unit costs. In the event the parties cannot reach agreement, the Government retains the right to have the these requirements established unilaterally by the Contracting Officer. Total target prime costs are established and may be adjusted by the Contracting Officer based on SMC Change Control Board actions for significant changes in production requirements or actual inflation rates.

Final fiscal year performance will be determined by a combination of the actual number of units produced versus the production requirements at 100% quality, and the total prime cost versus target prime cost. If fewer units are produced than the production requirements, the target prime cost will be adjusted (i.e. lowered) based on actual units produced. In addition, if fewer than the fiscal year's established quality units are produced, an imputed cost of \$300,000 per unit below the approved production requirement shall be added to the final year-end actual total prime costs for fee computation purposes.

Incentive payments shall not be made for prime cost budget reductions which result from changes in inventories of finished products and/or changes in quantities on hand of product materials and fuel oil which were available at the beginning of the incentive period. October 1, 1999 inventories of product materials, fuel oil, and finished product shall be mutually approved and documented to the DOE-ID Contracting Officer.

A review of these inventories will be provided to DOE-ID at the end of the fiscal year. Final reconciliation for changes in the inventories mentioned above will be performed September 30, 2000) Such changes will be analyzed and determinations made as to their impact on final actual total prime cost performance.

Penalties associated with deviations shall only be applicable for factors within the Contractor's control; e.g., excludes acts of nature (but does not exclude minor disruptions such as a short plant closure caused by normal weather patterns), funding shortages, delays/shortages in obtaining Government Furnished Materials, and major equipment failure not caused by Contractor negligence. The SMC Change Control Board will review all events seen as significant and make

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recommendations to the Contracting Officer for contract budget and/or work scope changes as required.

Safety Emphasis:

Pursuant to the Section I clause entitled CONDITIONAL PAYMENT OF FEE, PROFIT, OR INCENTIVES, to emphasize the need to balance production goals while maintaining a safe workplace, parts or all of the earned fee on this incentive may be deducted by the amount stated in the fee calculation based on an occupational safety & health cost index calculated as follows:

$$[(\$2,000R + \$400RWD + \$1,000LWD + \$500,000T + \$1,000,000D) \times 100] / \text{Total Hours Worked}$$

Where:

R = Number of Reportable Cases  
RWD = Number of Restricted Workdays  
LWD = Number of Lost Workdays  
T = Number of Permanent Transfers or Terminations  
D = Number of Deaths

Injuries and illnesses incurred by employees that result from events beyond the control of the Contractor; e.g., natural disasters, work-related travel cases caused by a third party, will be excluded from the index calculation.

Fee Calculation:

On an annual basis, the Contractor shall submit a claimed savings report in accordance with the Section I Contract Clause entitled DEAR 970.5204-54 TOTAL AVAILABLE FEE: BASE FEE AMOUNT AND PERFORMANCE FEE AMOUNT. This report shall compare the approved cost incentive baseline with actual total prime cost results and be reconciled to accounting records and financial statements. Claimed savings which are determined to be the result of intentional and management cognizant cost shifting, i.e., cost shifting from direct fund sources to indirect accounts, shall constitute a breach of this agreement and result in a reduction of incentive fees earned. For each one dollar of claimed prime cost savings resulting from an intentional cost shift, five dollars of actual prime cost savings will be excluded from the incentive fee.

No interim (mid-fiscal year) payments will be made under this incentive. Total available fee for each fiscal year 2000 is established at \$2,200,000.

The following actual total prime cost to fee earned table has been established for the FY 2000 but may be adjusted by the Contracting Officer in response to SMC-CCB action regarding required changes.

“Prime Costs,” as used in this incentive, means actual costs excluding allocation of indirect costs. They represent the value of labor and non-labor costs as first recorded in the accounting system such as the actual employee salary value, actual invoice cost from a vendor for material or subcontracted services, actual airfare costs paid to an airline etc. Prime costs of an activity or program exclude the allocated indirect costs charged to that activity or program.

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<b>Actual Total Prime Cost</b>	<b>Fee</b>
Greater than 15% above target prime cost	\$0 less 20% of actual prime costs greater than 15% over target prime cost
Up to 15% above target prime cost	Target Fee less 100% of actual prime costs over target prime cost NTE the target fee amount
Equal to target prime cost	75% of allocated fee (Target Fee)
Up to 15% below target prime cost	Target Fee + 20% of actual savings
Greater than 15% below target prime cost	Results above + 10% of actual savings greater than 15% below target prime cost but limited to the total fee available.

Minimum Fee: (can be negative – see table above)

Target Fee: \$1,650,000 for FY 2000

Maximum Fee: \$2,200,000 for FY 2000

Fee Reductions if Occupational Safety & Health Cost Index is:

>25.0	(\$400,000)
>20.0, but < 25.0	(\$300,000)
>15.0, but < 20.0	(\$200,000)
>10.0, but <15.0	(\$100,000)
> 5.0, but < 10.0	(\$50,000)
< 5.0	(\$0)

SMC performance shall be measured based on the best available information known as of November 1, 2001.